US Dairy Trends

What we see in the market, what may be ahead

Experts in what consumers want and why

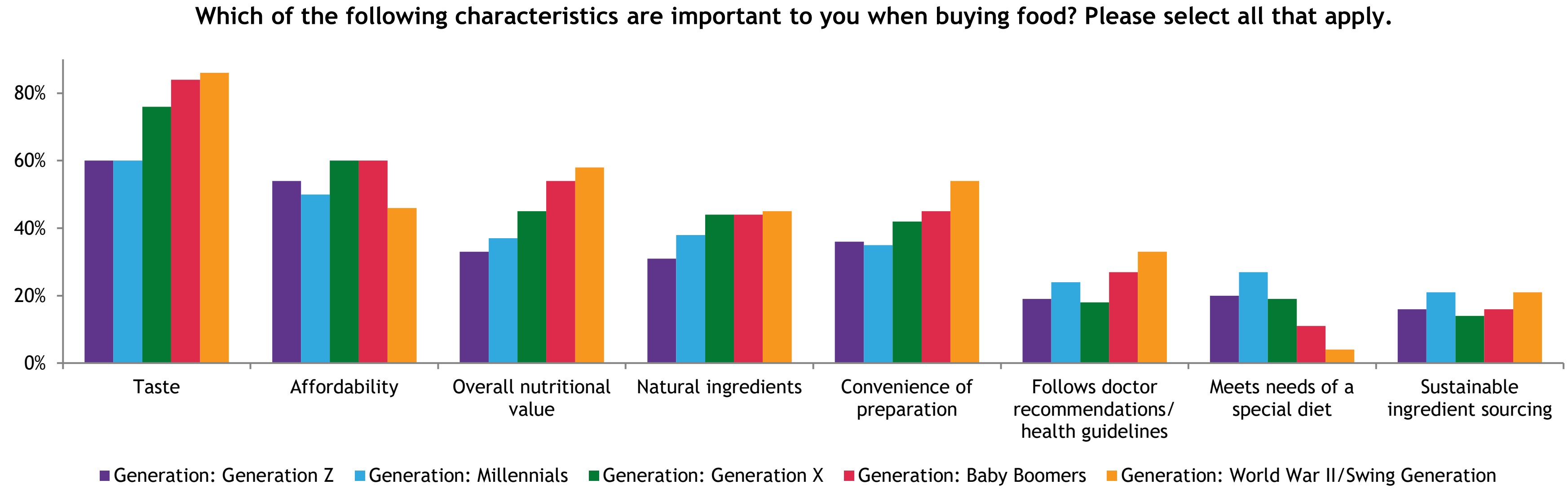
TODAY'S PRESENTATION

- First, a few comments on Mintel's 2023 trends
- What's happening in dairy products of all kinds--product introductions, emerging trends, and examples of new products
- What's important to consumers regarding health
- What it means for dairy products

But first . . . .

What's most important to consumers? Food must taste good

For the youngest consumers, affordability is almost equally as important.



Base: *2,000 internet users aged 18+*

Source: *Kantar Profiles/Mintel*

A few notes about Mintel's 2023 trends

Mintel's 2023 Global Consumer Trends

Me Mentality: People are emerging from the pandemic eager to refocus on themselves, and they need help as they navigate through this period of reinvention.

Power to the People: Brands have to make room for a new C in their C-suite: consumers. Brands can step back and allow consumers to be the creative center of innovation.

Hyper Fatigue: Consumers are becoming fatigued as a result of the fast pace of daily life, increased use of technology and moving from crisis to crisis. Brand support can help consumers overcome the things that overwhelm them.

International localism: Moving through uncertainty requires a wise use of resources. Consumers are refocusing on what value means to them and spending more intentionally.

Intentional Spending: Consumers are becoming fatigued as a result of the fast pace of daily life, increased use of technology and moving from crisis to crisis. Brand support can help consumers overcome the things that overwhelm them.

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Source: *Mintel's 2023 Global Consumer Trends*

Mintel's 2023 Global Food & Drink Trends

Minimalist Messaging: Clear and simple communication will be essential to connect with fatigued consumers.

Savvy Sustenance: Keep bellies and wallets full with satiating, nutritious food and drink.

Adaptable Cooking: Arm consumers with the know-how they need to pivot their meal plans amid fluctuating finances and product availability.

Unguilty Pleasures: Give overwhelmed consumers the freedom to indulge and to treat themselves.

Staying Sharp: Help consumers optimize their mental performance at work, at home and at play.

Cosmic Comforts: As Earth endures more chaos, space will become a source of optimism, innovation and connection.

The Worth of Water: More respectful and resourceful use of water will become a priority for consumers and companies.

Weatherproofed Provisions: Food and drink can help consumers endure heat waves, sub-zero temperatures and disastrous weather events.

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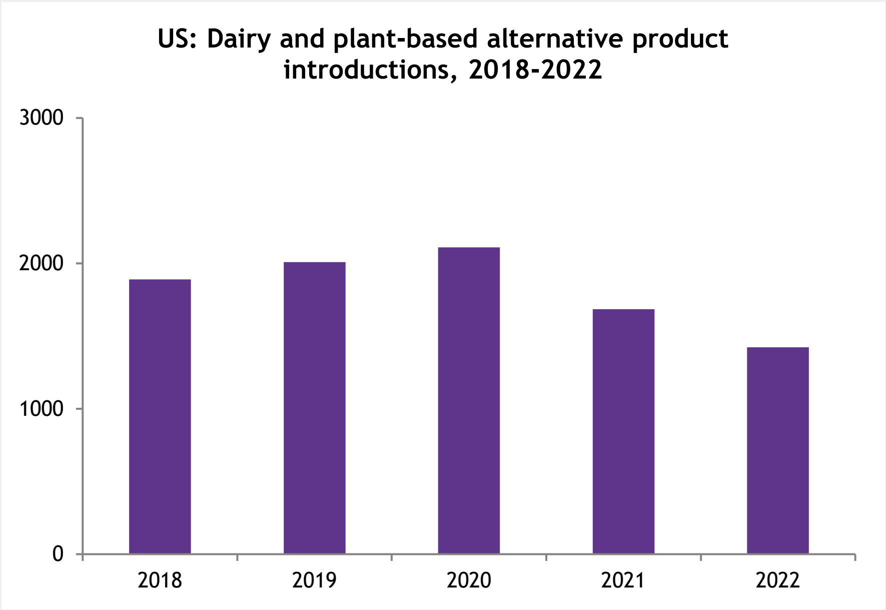
Source: *Mintel's 2023 Global Food & Drink Trends*

Trends in dairy

A look at total new product introductions, plus a brief look at key segments.

Total product introductions have shown some declines



Introductions have seen declines, seen in dairy milks, all types of yogurt (dairy and otherwise), while frozen desserts (of all kinds) and some types of cheeses all have seen increases. There seems to be a pattern of products that offer more indulgence increasing in product introductions over time.

While the total overall number of introductions has dropped, the share of introductions in each year by subcategory has shifted somewhat. The share of products that are truly new innovations has remained fairly steady.

Note that these figures include both dairy products and plant-based alternatives.

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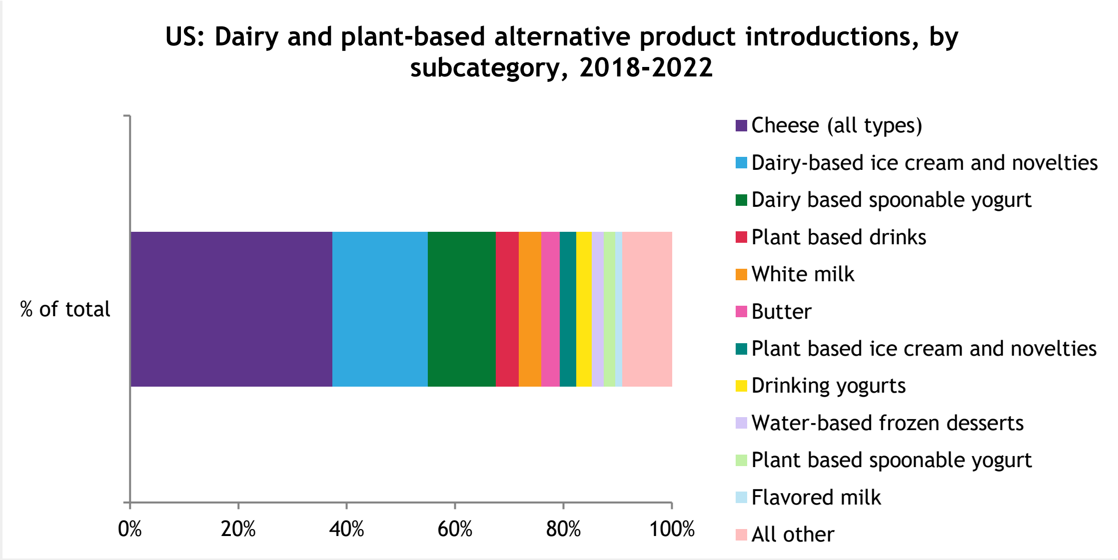
Source: Mintel GNPD

Cheese and frozen dairy account for large percent of all introductions



All types of cheeses (which includes small but growing plant-based offerings) account for almost 40% of all introductions, followed by dairy-based frozen desserts. Dairy-based yogurt follows. What these three have in common is a strong focus on flavors and formats, which tends to boost overall product introductions.

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Source: Mintel GNPD

What's happening in cheese

[Thin Sliced Mild Cheddar Cheese]

[Garlic & Herb Whipped Cream Cheese Spread]

Cheeses in block and wedge format have seen fewer drops in product introductions, perhaps providing consumers a more economical choice. However, we've seen innovation across cheese. The Andrew & Everett product promotes taste plus wholesomeness, while the Philadelphia product says it offers "a light, fluffy experience."

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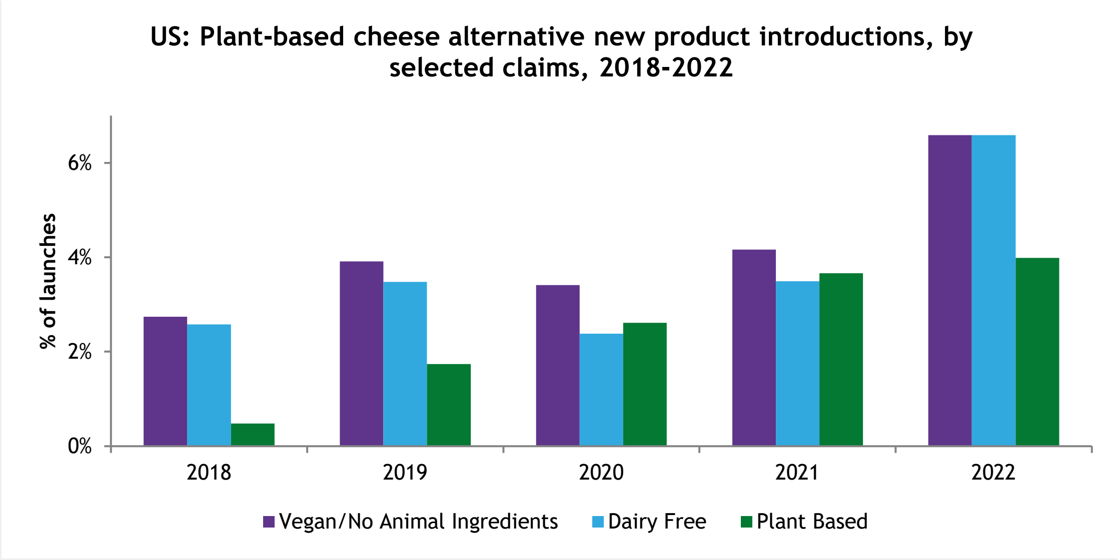
Source: *Mintel GNPD*

Plant-based cheese alternatives continue to grow



Dairy-alternative cheeses label themselves in many ways, but are most likely to be called vegan or dairy free. Note that the total number of product introductions is quite small--fewer than 200 in the US in the last five years.

These products resonate with the 35% of US consumers aged 25 to 34 who have eaten non-dairy cheese in the last three months.

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Source: Mintel GNPD

Cheese consumers are on the lookout for new flavors

The flavor of cheese, whether from the inherent profile of the cheese type, or from added flavourings, is a crucial purchase driver for cheese consumers in North America. While a familiar flavour is important to over half of category consumers in the US, some 17% are also on the lookout for new flavors, reaching 25% for consumers aged 35-44.

While having cheese on a sandwich is the most popular consumption occasion, the versatility of cheese means it plays multiple roles in consumers' diets. Cheese brands are tapping into its flexibility with flavor innovation that is keeping consumers engaged with the category as they look for new experiences and serving occasions.

FAMILIAR FLAVOR

67%

of US cheese consumers enjoy trying new cheeses

Base: *US: 1,914 internet users aged 18+ who have eaten cheese in the last three months*

Source: *Kantar Profiles/Mintel, July 2022*

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Unique flavors and serving suggestions can expand cheese usage occasions

Mojito with blueberry and lime flavor

Coombe Castle Blueberry Mojito Wensleydale Cheese with Blueberries & Lime is described as a firm ripened cheese with dried blueberries and lime marmalade. It is part of a range of cocktail-flavored cheeses (Canada).

Can be grilled, fried or eaten as a snack

Sach Turmeric Twist Paneer features a novel flavor and is described as a delicious and versatile cheese. It can be grilled, fried or eaten as a snack. Also available in Spicy Habanero (US).

Heat and eat

The Big Moo Bakin' Bacon Baked Cheese is described as 'sear-iously' irresistible baked cheese with real bacon. The heat-and-eat product can be prepared in a pan, grill or oven. Also available in original, jalapeño and garlic flavors (US).

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What's happening in frozen dairy and non-dairy

Overwhelmingly, frozen dairy and non-dairy products focus on the flavor and experience, as seen by these examples. Both segments are growing, across all types of formats. Tubs are most commonly purchased (by 86% of consumers), while frozen novelties are chosen by 60% of consumers.

Note: The Coffee Fudge Swirl Gelato has language on the lid that indicates it is vegan and dairy free.

Maple Soaked Pancakes Ice Cream

Coffee Fudge Swirl Gelato

Base: *1,623 internet users aged 18+ who purchase frozen treats at retail*

Source: *Kantar Profiles/Mintel*

Keto introductions small, and declining

Keto claims did not exist before 2019; claims on ice cream tubs has dropped, with some introductions in other formats appearing on the market. However, what we see is that consumers health attribute of greatest interest: sugar amount. This tells us that the values of keto are important to consumers, but perhaps the labelling is not as relevant to consumers as it has been in the past.

Triple Chocolate Brownie

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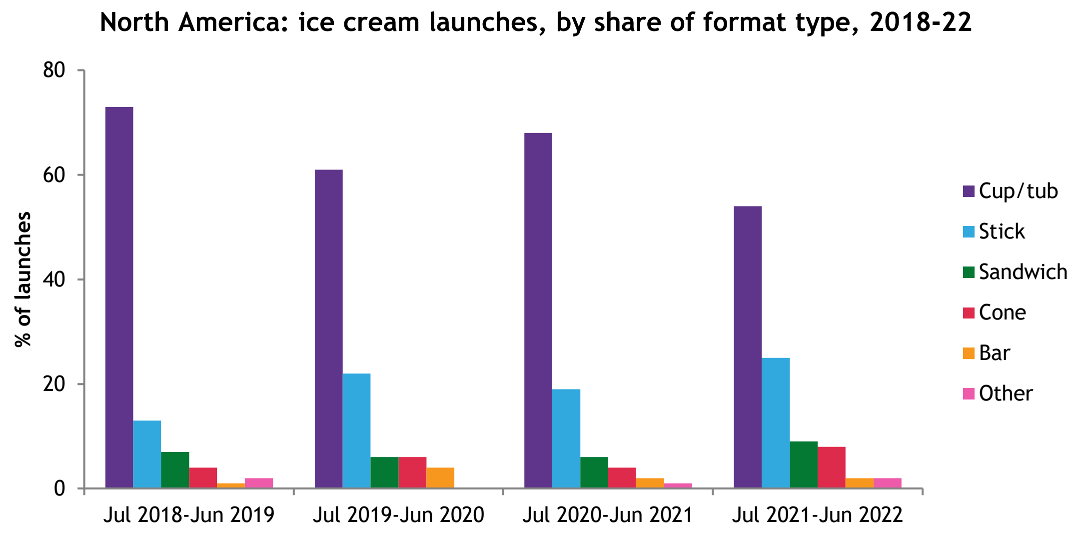
Base: *1,000 internet users aged 18+ who purchase frozen treats*

Source: *Kantar Profiles/Mintel*

On-the-go formats record a notable rise among ice cream launches



North America recorded a notable rise in the share of on-the-go ice cream formats in the year to June 2022. This increase reflects activity around stick, sandwich and cone formats, the latter mostly available in multipacks.

Multipack offerings not only boast a value-for-money appeal, but are also suitable for regular in-home consumption as well as on-the-go snacking occasions.

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Source: Mintel GNPD, July 2018-June 2022

Inspiration from elsewhere: Sharing formats

Magnum Vanilla and Chocolate Ice Cream Bites (Australia)

Vanilla Flavored Ice Cream Bites (US)

Over recent years, the cakes, cake bars and sweet baked goods market has become fairly saturated with mini bites, bars and sharing tub formats. These provide a party-like feel and certainly elevate the sharing occasion.

Ice cream brands are starting to dip their toes into the sharing tub action, as highlighted by Magnum Bites. Other companies offer "popable" varieties, such as those from Target.

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What's happening in yogurt

While product introductions for all types of yogurts have shown some declines, we have seen greater declines from plant-based alternatives.

This may be partially in response to what consumers say they want: 69% say they buy dairy-based yogurt, while 24% say they buy non-dairy yogurt. The types most commonly purchased: spoonable, with blended fruit flavors, in single-serve cartons.

Oregon Strawberry Low Fat Yogurt

Lemon Elderflower Organic Cultured Coconut

Base: 2,000 internet users aged 18+

Source: Kantar Profiles/Mintel

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Consumers are looking for more nutritious yogurt

HIGH PROTEIN

31%

of US category users cite 'high protein' as the most important attribute in yogurt products, rising to 37% of men aged 35-54

The pandemic-related events of the past few years have encouraged more consumers in North America to adopt healthier lifestyles and diets. Indeed, just under half of adults in the US say they aspired to eat more nutritious food and drink in 2022.

While consumer motivations for buying yogurt are centred around snacking and convenience, healthfulness is a growing priority. In the US, 53% of consumers anticipate to increase their household consumption of yogurt for health reasons.

Consumers are more accepting that relatively indulgent products like yogurt can accommodate positive nutrition attributes, such as protein. For instance, nearly one third of US consumers cite 'high protein' as the most important attribute in yogurt products.

Base: *US: 1,527 internet users aged 18+ who have purchased yogurt in the past three months*

Source: *Kantar Profiles/Mintel, April 2022*

Protein claims feature prominently on packaging

Provides 13g of protein per serving
Cabot Vanilla Bean Low Fat Greek Yogurt claims to be an excellent source of protein, vitamin D and calcium (US).

Packed with 23g protein per pot
Oikos Pro Vanilla Flavored Yogurt-Cultured Ultra-Filtered Milk is packed with 23g of protein, 2% fat, 0g added sugar, nine essential amino acids, vitamin D and calcium for strong bones (US).

High in protein
Liberté Greek High in Protein Mango Yogurt provides 14g of protein per 175g (Canada).

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What's happening in dairy and plant-based alternative beverages

Organic Pasture-Raised Fat Free Milk

Oats & Seeds Non Dairy Beverage

In terms of fluid beverage product introductions, all types (dairy and plant-based) have shown decreases in the last two years. White milk experienced a surge in 2020, and has seen declines since. But for consumers, dairy milk rules: 36% say they buy dairy milk only, and another 37% say they buy BOTH dairy and plant-based drinks.

Plant-based drinks continue to innovate with new base ingredients or inclusions. White milk has an increased focus on organic, pasture-raised, and messages regarding health of land and animals.

Base: 2,000 internet users aged 18+

Source: Kantar Profiles/Mintel

Leading with benefits is the way forward

Innovation in plant-based dairy alternatives will continue to drive the market, thanks to a growing number of consumers trying to follow a plant-based diet and limit their dairy intake.

A key question for brands concerns the best approach to innovation: mimicking dairy ('as milky as it gets') or emphasizing plant ingredients. While 35% of US plant-based alternative drink buyers agree that their ideal plant-based alternative should taste like dairy milk, industry players are constantly hunting for the next big ingredient, such as oats. Meanwhile, leading with benefits appears to be a more forward-looking strategy--for both dairy and plant-based alternatives.

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Many consumers already perceive dairy-based milk as inherently nutritious

NUTRITIOUS

38%

of US category buyers perceive dairy-based milk to be inherently nutritious, while **25%** say the same about oat milk

Demand for dairy milk has increased in the US as consumers appreciate its affordability and growing negative perceptions surrounding plant-based alternatives. Consumers who are not affected by allergies or intolerances are cutting back on milk category exploration and opting for the most trusted sole type – dairy milk.

According to Mintel data, dairy milk actually exceeds all plant-based alternatives in purchase-driving qualities such as taste as well as nutrition. And to further enhance this nutritious quality, many producers are fortifying milk with added nutrients.

Base: *US: 1,797 internet users aged 18+ who have purchased milk or non-dairy milk in the past three months*

Source: *Kantar Profiles/Mintel, April 2022*

What's happening in butter

While total introductions have declined over time, plant-based butter alternatives (e.g. margarines and butter/margarine blends) have declined more. Most of the margarines focus on wellness benefits, while many of the dairy butters take a more upscale approach, as with the Better Butter product.

79% Plant-Based Oil Spread with Sea Salt

Black Truffle Butter

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Source: Mintel GNPD

The viral butter board trend demonstrates that young consumers want more excitement from butter

Younger consumers are already heavy butter users, with spreadable butter resonating with them in particular: 60% of Gen Z consumers in the UK, for example, eat spreadable butter, vs 42% of Boomers. The butter board trend shows that younger consumers not only enjoy butter, but they also want more of it – but in more exciting and unique ways. Thus, brands can tap into butter's full potential with more flavor, texture or color.

In late 2022, butter was flagged as 'party-worthy' thanks to the butter board trend. In time for the holiday season, butter went viral on TikTok with videos of users spreading softened butter on a wooden board and topping it with colorful sweet and savory ingredients. Even months after the initial post, social media activity around butter boards is still elevated.

Social media analysis reveals a significant spike in butter board-related posts Jan-Dec 2022

Source: *Infegy/Mintel*

Consumer attitudes about health

What they look for in general, for their kids, and from dairy products.

Taste drives choice, but it's not the only factor

Wellness, in all its definitions, plays an important role as well.

TASTE RULES	WELLNESS A PLUS	MENTAL HEALTH TOO
49%	**35%**	**50%**
Of US consumers say "taste is my primary driver when deciding what to eat"	say "I mostly select foods and drinks that contribute to my overall wellness"	say "I like my food/drinks to contribute to both my mental and physical health"

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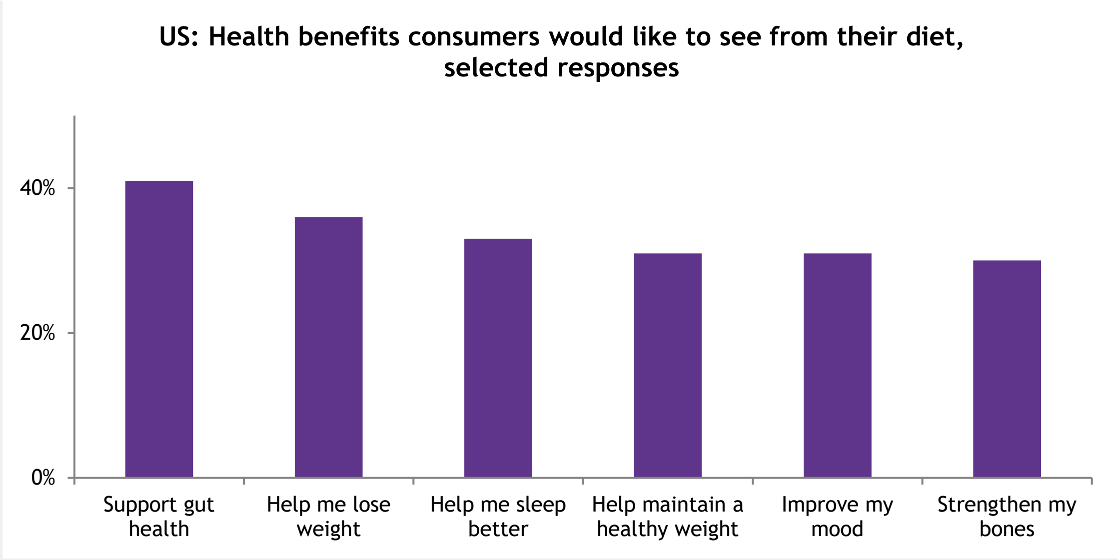
Base: 2,000 internet users aged 18+
Source: Kantar Profiles/Mintel

Consumers look for a wide range of health benefits from food



"Health" is more than just weight management, but about overall wellbeing, including mood and sleep.

This broader definition of "health" can make it easier for companies to formulate products that combine the taste and fun expected from frozen dairy with health benefits.

Base: *1,000 internet users aged 18+*

Source: *US - Kantar Profiles/Mintel*

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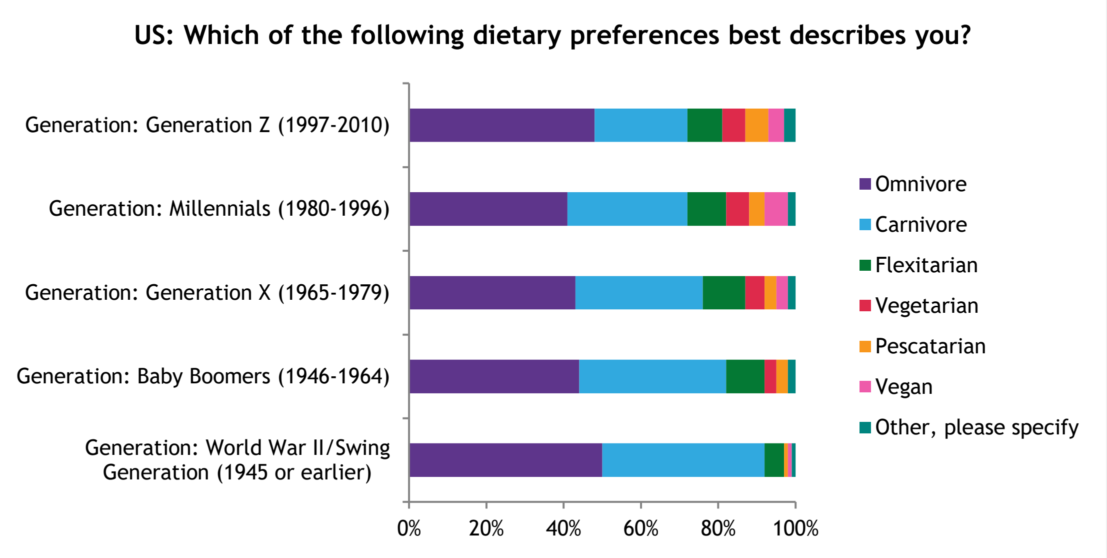
Most consumers choose animal-based products at least some of the time

Gen Z and Millennials are most likely to identify as NOT eating animal-based products, with Millennials most likely to say they are vegan (across all consumers, only 3% identify as vegan).

For reference:

- Omnivore: eat anything
- Carnivore: meat eater
- Flexitarian: eat meat and plant-based, lean more toward plant-based
- Vegetarian: various levels of restricting/eliminating animal products
- Pescatarian: vegetarian, but eat fish
- Vegan: no animal products whatsoever



Base: 2,000 Base: internet users aged 18+

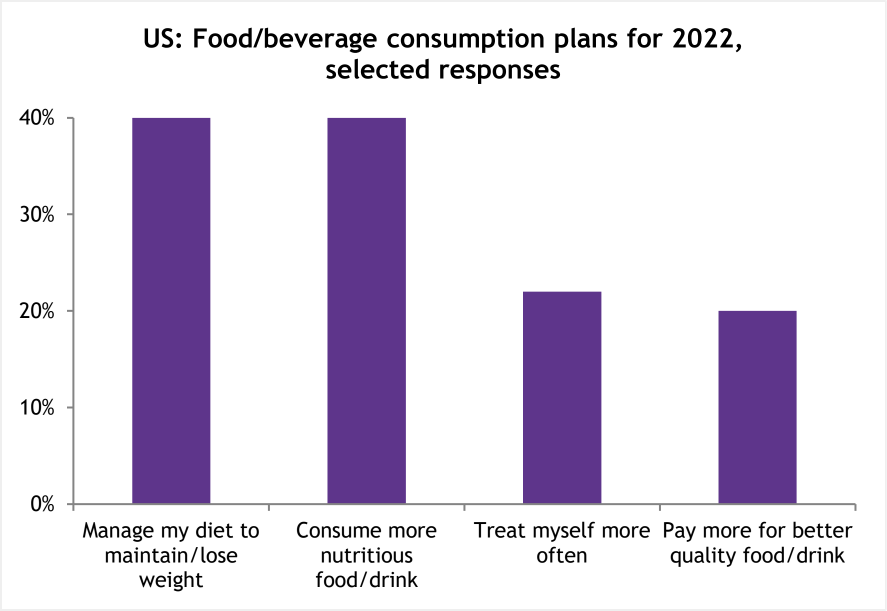
Source: Kantar Profiles/Mintel

Consumers want it all

They want to manage their diet better and consume more nutritious food. But they also want a treat, and they want to do it more often.

Note also that 20% of consumers say they will pay more for better quality food and drink.

These desires together illustrate what may be ahead for health & wellness in general: Products that deliver an indulgent experience while also providing some kind of a health benefit. We often call that "permissible indulgence."



Base: *1,000 internet users aged 18+*

Source: *US - Kantar Profiles/Mintel*

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An example of a more holistic approach to "wellness"

Jonny Pops Mango with Fresh Cream Pops (US)

In the US, the ice cream brand Jonny Pops recently introduced Mango and Fresh Cream Pops to their line of ice pops. The recipes contain simple ingredients, including mango, fresh cream, cane sugar, purified water and salt, blended in small batches.

Each stick is printed with a kind deed to achieve the mission of making the world a better place. The consumer can complete the kind deed on the stick and submit the sticks for rewards on the company's website. Jonny Pops claims that sharing kindness through actions big and small is the best way to make the world a better place.

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A few final thoughts

01

Keep an eye on the big picture

Overarching consumer and category trends may vary somewhat from year to year, but keep in mind: Consumers want easy-to-understand benefits (for themselves, for the planet), fair prices, and something a little bit unique.

02

If possible, focus on fun and flavor

The dairy category is made for this, regardless of segment. New and different flavors and textures, plus new ways to consume products will keep consumers engaged with your offerings.

03

Build in or communicate health benefits

The concept of "permissible indulgence" is hot at the moment, but perhaps instead of only adding benefits to products, consider also communicating the wholesome goodness dairy can provide.

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Thank you!

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